

Message Text

LIMITED OFFICIAL USE

PAGE 01 LONDON 08926 01 OF 02 061715Z
ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 H-01 SS-15 NSC-05 EB-08 /052 W
-----085992 061737Z /46

R 061709Z JUN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6865
TREASURY DEPT WASHDC
INFO AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMEMBASSY OTTAWA

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 08926

USEEC
USOECN ALSO FOR EMBASSY

E.O.: 11652: N/A
TAGS: EFIN, UK, US
SUBJECT: ECONOMIC HIGHLIGHTS OF CHANCELLOR HEALEY'S
REMARKS TO SENATOR RIBICOFF, JUNE 2

1. IN A NOON MEETING ON JUNE 2, CHANCELLOR HEALEY DISCUSSED A WIDE RANGE OF POLITICAL AND ECONOMIC TOPICS WITH SENATOR RIBICOFF. REPLYING TO QUESTIONS, THE CHANCELLOR DESCRIBED SEVERAL DEVELOPMENTS WHICH HAD CAUSED INTERNATIONAL CONCERN OVER THE PAST YEAR. HE NOTED IN PARTICULAR THAT THE SPEED AND SIZE OF THE DOLLAR'S DECLINE HAD BEEN DISTURBING. AT ITS LOWEST VALUE IT DID SEEM UNDERVALUED RELATIVE TO FUNDAMENTAL DETERMINANTS OF EXCHANGE RATES. THE SIZE OF THE U.S. DEFICIT CONTINUE TO WORRY EUROPEANS ALTHOUGH MUCH OF IT AROSE BECAUSE THE U.S. WAS ALMOST THE ONLY COUNTRY TO TAKE THE LONDON SUMMIT PLEDGES SERIOUSLY IN TRYING TO ATTAIN ITS GROWTH

LIMITED OFFICIAL USE

PAGE 02 LONDON 08926 01 OF 02 061715Z

TARGET. THE U.S. OIL IMPORT LEVEL WAS NEVERTHELESS A MATTER OF IMPORTANCE. THIS WAS SO BOTH BECAUSE THESE IMPORTS SEVERELY AGGRAVATED THE U.S. CURRENT ACCOUNT DEFICIT, AND BECAUSE IT PUT THE U.S. IN AN UNCOMFORTABLE STATE OF DEPENDENCE ON MIDDLE EAST OIL. THE CHANCELLOR SAID THAT MEASURES NEEDED TO BE TAKEN TO CONTROL BOTH OF THESE PROBLEMS AND CONSEQUENTIALLY HE HOPED THAT THE

ENERGY BILL WOULD SOON BE PASSED.

2. THE CHANCELLOR WAS HOPEFUL THAT A GREATER EFFORT WOULD BE MADE TO INCREASE THE GROWTH RATE OF THE INDUSTRIAL SURPLUS COUNTRIES IN THE PERIOD UP TO THE BONN SUMMIT. HE REMARKED THAT AT THE EC FINANCE COUNCIL MEETING, COUNTRIES HAD BEEN RANKED IN ORDER OF THEIR POTENTIAL FOR FURTHER GROWTH. GERMANY LED THE LIST. MEASURES TO STIMULATE MOREOVER WERE BEING TAKEN BY COUNTRIES FURTHER DOWN THE LIST, LEAVING GERMANY VERY ISOLATED IN ITS POLICY. HE REMARKED THAT IN 1974, WE BLAMED THE OPEC SURPLUS FOR MUCH OF THE INDUSTRIAL COUNTRIES' ECONOMIC PROBLEMS. IN 1978, HOWEVER, THE COMBINED BALANCE OF PAYMENTS SURPLUS OF GERMANY, JAPAN, AND SWITZERLAND WOULD BE EVEN LARGER THAN THE DECLINING OPEC SURPLUS. THE PROBLEM OF PAYMENTS IMBALANCES WAS CLEARLY BECOMING AN INTERNAL PROBLEM OF THE INDUSTRIAL COUNTRIES THEMSELVES.

3. IN RESPONSE TO A QUESTION OF WHAT THE U.S. COULD DO TO IMPROVE THE WORLD ECONOMIC SITUATION, HEALEY SAID THE U.S. WAS ALREADY BEGINNING TO MOVE TO COUNTER ITS INFLATIONARY THREAT. AGAIN, AN ENERGY BILL WOULD BE BENEFICIAL.

4. HEALEY SAID THE U.K. HAD ITSELF TAKEN SOME SPECIAL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LONDON 08926 01 OF 02 061715Z

RISKS IN STIMULATING THE U.K. ECONOMY IN HIS LAST BUDGET. THE MEASURES WERE, HOWEVER, WITHIN THE IMF GUIDELINES

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 LONDON 08926 02 OF 02 061713Z
ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 H-01 SS-15 NSC-05 EB-08 /052 W
-----085968 061738Z /46

R 061709Z JUN 78
FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6866
TREASURY DEPT WASHDC
INFO AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMEMBASSY OTTAWA

LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 08926

AND WERE FINANCIALLY RESPONSIBLE. THE CHANCELLOR REFLECTED THAT HIS EXPERIENCE IN THE TREASURY HAD TAUGHT HIM THAT THOSE WHO ATTEND THE FINANCIAL AFFAIRS OF NATIONS MUST ABOVE ALL ACT RESPONSIBLY. THOSE WHO MANAGE EXPENDITURE COULD PERHAPS ACT LESS SO. WHILE IN MATTERS OF DIPLOMACY, THE CHANCELLOR PAUSED THEN SAID, "THERE YOU MERELY TRAFFIC IN SMILES."

5. THERE WERE TWO PROBLEMS IN US-UK RELATIONS THAT BOTHERED HEALEY. HE FELT THAT IT WAS NOT RIGHT TO CONDEMN ECGD'S SUPPORT OF ROLLS-ROYCE IN THE PANAM DEAL. ECGD MUST BE EXPECTED TO MEET BOTH PRIVATE AND PUBLIC COMMITMENT. AT THE SAME TIME HE FELT THAT BRITISH STEEL WAS BEING PUT IN DOUBLE JEOPARDY IN THAT THEY HAD AWAITED THE NEW U.S. POLICY ON STEEL IMPORT PRICES ONLY TO FIND THAT THE SUIT AGAINST THEM WAS STILL BEING PRESSED.

6. IN A BROADER PERSPECTIVE, THE CHANCELLOR FOUND THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 08926 02 OF 02 061713Z

PROSPECT OF U.S. LEGISLATION ATTEMPTING TO IMPOSE RESTRICTIONS ON IBRD LENDING ON HUMAN RIGHTS GROUNDS TO BE ALARMING. HE NOTED THAT THESE INTERNATIONAL FINANCIAL INSTITUTIONS ARE THE BEST CHANCE THE DEVELOPED WORLD HAS TO ENCOURAGE SOUND ECONOMIC POLICIES IN MANY DEVELOPING COUNTRIES, AND IT WOULD BE A SHAME TO ERODE EITHER THE CREDIBILITY OR FINANCIAL STRENGTH OF THE INSTITUTIONS THROUGH THIS TYPE OF LEGISLATION.

7. ABOVE HAS NOT BEEN CLEARED WITH SENATOR RIBICOFF.

BREWSTER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON08926
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: ALSO FOR USOECD
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780236-0546
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780692/aaaadbej.tel
Line Count: 165
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d20f6e91-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2478312
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC HIGHLIGHTS OF CHANCELLOR HEALEY'S REMARKS TO SENATOR RIBICOFF, JUNE 2
TAGS: EFIN, UK, US, (RIBICOFF, ABRAHAM), (HEALEY, DENIS)
To: STATE TRSY MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d20f6e91-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014